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CAPITAL TRANSPORTATION CORPORATION

Financial Statements and Schedules

December 31, 2002

With Independent Auditors' Report Thereon

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JUL 23 2003

Release Date _____



Postlethwaite & Netterville

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April 28, 2003

Board of Directors
Capital Transportation Corporation
2250 Florida Boulevard
Baton Rouge, Louisiana 70802-3125:

Dear Members of the Board:

We have audited the financial statements of Capital Transportation Corporation (CTC) for the year ended December 31, 2002, and have issued our report thereon dated April 28, 2003. In planning and performing our audit of the financial statements of the CTC, we considered the CTC's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted a certain matter involving internal control and other operational matters that is presented for your consideration. This comment and recommendation, which has been discussed with the appropriate members of management, is intended to improve internal control or result in other operating efficiencies and is summarized in Appendix A. Management's response is attached.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of CTC's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss this comment and recommendation with you at any time.

This report is intended solely for the information and use of the Board of Commissioners, the Louisiana Legislative Auditor's Office, the federal and state grantors, management, and others within the CTC.

Very truly yours,

Postlethwaite & Netterville



Capital Transportation Corporation

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN TO CURRENT YEAR COMMENT

Sales Tax and Contract Review

Response

CTC has undertaken an investigation of the matter and related invoices which is not yet complete. In addition, CTC is conducting a complete review of existing contracts to assess contractual compliance and appropriateness of review procedures.



CURRENT YEAR MANAGEMENT LETTER COMMENT

Sales Tax and Contract Review

A matter arose in April 2003 regarding the payment of sales tax to a vendor. We recommend that CTC review its internal procedures regarding the payment of sales taxes and require all such payments to be approved by the Chief Financial Officer.



CAPITAL TRANSPORTATION CORPORATION

Financial Statements and Schedules

December 31, 2002

With Independent Auditors' Report Thereon



CAPITAL TRANSPORTATION CORPORATION

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Government-Wide Financial Statements:	
Statements of Net Assets - Proprietary Fund	7
Statements of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	8
Statements of Cash Flows - Proprietary Fund	9
Fund Financial Statements:	
Statements of Fiduciary Net Assets - Pension Trust Fund	10
Statements of Changes in Fiduciary Net Assets – Pension Trust Fund	11
Notes to Financial Statements	12
Required Supplementary Information under GASB Statement No. 25	22





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Independent Auditors' Report

Board of Directors
Capital Transportation Corporation:

We have audited the basic financial statements of Capital Transportation Corporation (CTC), a component unit of the City of Baton Rouge - Parish of East Baton Rouge as of and for the years ended December 31, 2002 and 2001, as listed in the accompanying table of contents. These financial statements are the responsibility of CTC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CTC as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Required Supplementary Information under GASB Statement No. 25 as listed on the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2003 on our consideration of CTC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Postlethwaite & Netterville

April 28, 2003
Baton Rouge, Louisiana



**Capital Transportation Corporations
Management's Discussion and Analysis
Year ended December 31, 2002**

This section of Capital Transportation Corporation's (CTC) annual financial report presents a discussion and analysis of CTC's financial performance during the fiscal year that ended December 31, 2002. Please read this section in conjunction with CTC's financial statements, which follow this section. CTC is a component unit of the City of Baton Rouge - Parish of East Baton Rouge (City-Parish).

FINANCIAL HIGHLIGHTS

CTC has positive working capital, with current assets exceeding current liabilities by \$328,819. While overall net assets declined by 16.9% as a result of a net loss in 2002 of \$860,505, the overall operating revenues of CTC increased by 6.5% to \$3.7 million, and overall operating expenses, excluding depreciation, declined by 12.7% to \$11.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and required supplementary information.

The financial statements provide both long-term and short-term information about CTC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements required by GASB 25. CTC maintains two different funds: a proprietary fund and a fiduciary fund.

Proprietary Fund. CTC has one type of proprietary fund, an enterprise fund, which is used to report the business-type activities. This fund accounts for all transit activity. The basic proprietary fund statements can be found on pages 7 through 9 of this report. The proprietary fund financial statements are the government-wide financial statements.

CTC's proprietary fund financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of CTC are included in the Statements of Net Assets.

The Statements of Net Assets reports CTC's net assets. Net assets, which are the difference between CTC's assets and liabilities, are one way to measure CTC's financial health or position. Changes in the Statements of Net Assets are reflected in Table A-1.

Fiduciary Fund. CTC has one type of fiduciary fund, a pension trust fund, which is used to account for resources held for the benefit of parties outside the government. The fiduciary fund assets are not available to finance transit operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statements can be found on pages 10 and 11 of this report.

FINANCIAL ANALYSIS OF CTC

Net Assets. CTC's total net assets at December 31, 2002 declined from \$5,087,385 to \$4,226,880. Table A-1 summarizes CTC's net assets as of December 31, 2002.



CTC's net assets have been significantly impacted in 2001 and 2002 by changes in claim liabilities. Restricted assets represent resources contractually restricted, primarily related to matching funds to be used solely for and receivables from federal grants. Equipment, net reflects CTC's rolling stock and other related equipment as well as office equipment. In accordance with the terms of an operating agreement with the City-Parish, CTC does not own land and buildings; rather, the City-Parish provides CTC with the use of its administrative building and terminal facility at no charge to CTC. After the impact of the depreciation expense of \$878,117, CTC's capital assets are relatively consistent. Future grant resources will assist in the replacement of rolling stock.

CTC's positive working capital reflects significant efforts by management to improve its financial position. Management believes that CTC's operations will generate adequate cash flow for the 2003 fiscal year. However, as noted by long-term liabilities of \$802,578, fiscal year 2003 is a concern to management as a significant portion of these long-term payables could become current payables and a significant uncertainty exists as to the amount of nonfederal revenues that will be received in order to pay the claims, insurance and general operations costs.

Table A-1
Capital Transportation Corporation - Statements of Net Assets
December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>	<u>Variance</u>	<u>Percent</u>
Assets				
Current assets:				
Unrestricted	\$ 997,730	784,610	213,120	27.2%
Restricted	1,269,117	1,769,453	(500,336)	-28.3%
Total current assets	<u>2,266,847</u>	<u>2,554,063</u>	<u>(287,216)</u>	-11.2%
Net pension asset, long-term	835,603	732,450	103,153	14.1%
Equipment, net	3,865,036	4,819,258	(954,222)	-19.8%
	<u>\$ 6,967,486</u>	<u>8,105,771</u>	<u>(1,138,285)</u>	-14.0%
Liabilities and Net Assets				
Liabilities:				
Current liabilities:				
Unrestricted	\$ 1,679,754	1,144,055	535,699	46.8%
Restricted	258,274	735,633	(477,359)	-64.9%
Total current liabilities	<u>1,938,028</u>	<u>1,879,688</u>	<u>58,340</u>	3.1%
Long-term liabilities:				
Accrued compensated absences, less current portion	366,805	340,060	26,745	7.9%
Deferred revenue	258,273	204,569	53,704	26.3%
Claims payable and related liabilities, less current portion	177,500	594,069	(416,569)	-70.1%
Total long-term liabilities	<u>802,578</u>	<u>1,138,698</u>	<u>(336,120)</u>	-29.5%
Total liabilities	<u>2,740,606</u>	<u>3,018,386</u>	<u>(277,780)</u>	-9.2%
Commitments and contingencies	-	-	-	-
Net assets:				
Invested in capital assets	3,865,036	4,819,258	(954,222)	-19.8%
Restricted	1,269,117	1,769,453	(500,336)	-28.3%
Unrestricted	(907,273)	(1,501,326)	594,053	-39.6%
Net assets	<u>4,226,880</u>	<u>5,087,385</u>	<u>(860,505)</u>	-16.9%
Total liabilities and net assets	<u>\$ 6,967,486</u>	<u>8,105,771</u>	<u>(1,138,285)</u>	-14.0%

Changes in Net Assets

CTC's operating revenues increased from the prior year amount of \$3,501,190 to \$3,727,656, or 6.5%. This increase is primarily attributable to an increase in the LSU contract of approximately \$300,000. This increase was offset by route reductions initiated to increase efficiency of operation and the conclusion of the prior year reverse commute grant. Total passenger miles declined from 2,413,477 miles in fiscal year 2001 to 2,324,247 miles for fiscal year 2002.

Overall operating expenses decreased by \$1,726,018 or 12.7% to \$11,840,525. The most significant reason for the decrease in operating expense in 2002 was a reduction of claim expenses. Other changes include reduced costs in fuel and operational costs for reverse commute expenses (program ended in 2001).

Non-operating revenues in 2002 decreased by \$1,771,218 or 19.7% primarily as a result of changes in the federal grants and a decrease in operating transfers from the City-Parish.

Table A-2
Capital Transportation Corporation's Changes in Net Assets
Years ended December 31, 2002 and 2001

	2002	2001	Variance	Percent
Operating revenues:				
Charges for services	\$ 3,691,936	\$ 3,419,065	\$ 272,871	7.98%
Other	35,720	82,125	(46,405)	-56.51%
Total operating revenues	<u>3,727,656</u>	<u>3,501,190</u>	<u>226,466</u>	6.47%
Direct operating expenses:				
Operating expenses	10,962,408	12,572,300	(1,609,892)	-12.81%
Depreciation expense	878,117	994,243	(116,126)	-11.68%
Total direct operating expenses	<u>11,840,525</u>	<u>13,566,543</u>	<u>(1,726,018)</u>	-12.72%
Loss from operations	<u>(8,112,869)</u>	<u>(10,065,353)</u>	<u>1,952,484</u>	-19.40%
Nonoperating revenues, net:				
Government operating grants and contracts	4,319,918	5,648,019	(1,328,101)	-23.51%
Hotel/motel tax	807,561	852,076	(44,515)	-5.22%
Other revenue	9,721	99,077	(89,356)	-90.19%
Operating transfers from Primary Government	2,062,630	2,371,876	(309,246)	-13.04%
Total nonoperating revenues	<u>7,199,830</u>	<u>8,971,048</u>	<u>(1,771,218)</u>	-19.74%
Net loss before capital contributions	<u>(913,039)</u>	<u>(1,094,305)</u>	<u>181,266</u>	-16.56%
Capital contributions	<u>52,534</u>	<u>222,848</u>	<u>(170,314)</u>	-76.43%
Net loss after capital contributions	<u>(860,505)</u>	<u>(871,457)</u>	<u>10,952</u>	-1.26%
Net assets, beginning of year	<u>5,087,385</u>	<u>5,958,842</u>	<u>(871,457)</u>	-14.62%
Net assets, end of year	<u>\$ 4,226,880</u>	<u>\$ 5,087,385</u>	<u>\$ (860,505)</u>	-16.91%

PENSION TRUST FUND

CTC and its covered employees make contributions to the Capital Transportation Corporation Pension Trust Fund (Plan), a defined benefit single employer pension plan. The Plan has assets of \$4,160,734 and \$4,244,806 as of December 31, 2002 and 2001, respectively. The assets consist primarily of a portfolio of money market, mutual fund, common and preferred stock, and bond investments managed by a third-party. Net changes in Plan assets totaled \$(84,072) and \$131,336 for the years ended December 31, 2002 and 2001, respectively. The Plan has an annual actuarial valuation. CTC had funded the Plan's Actuarial Accrued Liability (AAL) by 96% and 89%, respectively, as of December 31, 2002 and 2001.

CONTACTING CTC'S FINANCIAL MANAGEMENT

This financial report is designed to provide the community, the Council of the City-Parish and other interested parties with a general overview of CTC's finances and to demonstrate CTC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact CTC at (225) 389-8920.

CAPITAL TRANSPORTATION CORPORATION

Statements of Net Assets - Proprietary Fund

December 31, 2002 and 2001

	2002	2001
Assets		
Current assets:		
Cash (note 2)	\$ 549,541	271,065
Accounts receivable (note 3)	110,127	77,876
Inventories	229,183	247,812
Prepaid expenses and other assets	108,879	187,857
	<u>997,730</u>	<u>784,610</u>
Restricted assets, cash and investments (note 1(d)):		
Cash and cash equivalents (note 2)	617,882	824,524
Due from other governments (note 3)	651,235	944,929
Total restricted assets	<u>1,269,117</u>	<u>1,769,453</u>
Total current assets	<u>2,266,847</u>	<u>2,554,063</u>
Net pension asset, long-term (note 6)	835,603	732,450
Equipment, net (notes 1 and 4)	3,865,036	4,819,258
	<u>\$ 6,967,486</u>	<u>8,105,771</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities (payable from current assets):		
Accounts and contracts payable	\$ 334,046	358,982
Accrued salaries payable	200,661	198,333
Other accrued liabilities and deferred revenue	168,298	12,808
Claims payable and related liabilities (note 9)	779,146	371,701
Accrued compensated absences	197,603	202,231
	<u>1,679,754</u>	<u>1,144,055</u>
Current liabilities (payable from restricted assets) (note 1(d)):		
Deferred revenue (note 1(j))	258,274	344,616
Accounts and contracts payable	-	391,017
Total current liabilities, payable from restricted assets	<u>258,274</u>	<u>735,633</u>
Total current liabilities	<u>1,938,028</u>	<u>1,879,688</u>
Long-term liabilities:		
Accrued compensated absences, less current portion	366,805	340,060
Deferred revenue (note 1(j))	258,273	204,569
Claims payable and related liabilities, less current portion (note 9)	177,500	594,069
Total long-term liabilities	<u>802,578</u>	<u>1,138,698</u>
Total liabilities	<u>2,740,606</u>	<u>3,018,386</u>
Commitments and contingencies (notes 7, 8, 9 and 11)	-	-
Net assets (notes 1, 4, 7, 8 and 9):		
Invested in capital assets	3,865,036	4,819,258
Restricted	1,269,117	1,769,453
Unrestricted	<u>(907,273)</u>	<u>(1,501,326)</u>
Net assets	<u>4,226,880</u>	<u>5,087,385</u>
	<u>\$ 6,967,486</u>	<u>8,105,771</u>

See accompanying notes to financial statements.



CAPITAL TRANSPORTATION CORPORATION

Statements of Revenues, Expenses and Changes in Net Assets - Proprietary Fund

For the years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Charges for services (note 10)	\$ 3,691,936	3,419,065
Advertising revenue	<u>35,720</u>	<u>82,125</u>
Total operating revenues	<u>3,727,656</u>	<u>3,501,190</u>
Direct operating expenses:		
Personal services and fringe benefits (notes 6, 7 and 9)	5,700,684	5,890,746
Supplies, fuel and other bus related expenses	1,052,471	1,248,027
Contractual services and liability costs	4,209,253	5,433,527
Depreciation expense	<u>878,117</u>	<u>994,243</u>
Total direct operating expenses	<u>11,840,525</u>	<u>13,566,543</u>
Loss from operations	<u>(8,112,869)</u>	<u>(10,065,353)</u>
Nonoperating revenues (expenses):		
Interest and financial charges	2,857	17,818
Government operating grants:		
Federal and contract revenues	4,319,918	5,648,019
Planning and technical study grants	207,890	201,284
Planning and technical study expenses	(207,890)	(201,284)
Hotel/motel tax (notes 1(h) and 3)	807,561	852,076
Other revenue	6,864	81,259
Operating transfers from Primary Government (note 5)	<u>2,062,630</u>	<u>2,371,876</u>
Total nonoperating revenues	<u>7,199,830</u>	<u>8,971,048</u>
Net loss before capital contributions	(913,039)	(1,094,305)
Capital contributions	<u>52,534</u>	<u>222,848</u>
Net loss after capital contributions	(860,505)	(871,457)
Net assets:		
Balance, beginning of year	<u>5,087,385</u>	<u>5,958,842</u>
Balance, end of year	<u>\$ 4,226,880</u>	<u>5,087,385</u>

See accompanying notes to financial statements.



CAPITAL TRANSPORTATION CORPORATION

Statements of Cash Flows - Proprietary Fund

For the years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Cash received from operations	\$ 3,824,558	3,431,021
Cash received from other sources	35,720	82,125
Cash paid to employees for compensation and related expenses	(5,779,392)	(6,091,028)
Cash paid to suppliers and others	(5,491,572)	(5,823,893)
Net cash used in operating activities	<u>(7,410,686)</u>	<u>(8,401,775)</u>
Cash flows from noncapital financing activities:		
Operating subsidies and contract revenues from other governments	4,859,850	5,699,264
Non-operating grant expenses	(196,050)	(201,284)
Sales tax	815,827	743,645
Other revenue	6,864	81,259
Operating transfers City-Parish	2,029,992	2,037,443
Net cash provided by noncapital financing activities	<u>7,516,483</u>	<u>8,360,327</u>
Cash flows from capital and related financing activities -		
Acquisition and construction of capital assets	<u>(36,820)</u>	<u>(440,442)</u>
Cash flows from investing activities - interest payments received	<u>2,857</u>	<u>17,818</u>
Net increase (decrease) in cash and cash equivalents	71,834	(464,072)
Cash and cash equivalents at beginning of year	<u>1,095,589</u>	<u>1,559,661</u>
Cash and cash equivalents at end of year	\$ <u>1,167,423</u>	<u>1,095,589</u>
Reconciliation of cash as listed on the balance sheets (note 3):		
Unrestricted cash	\$ 549,541	271,065
Restricted cash	617,882	824,524
	\$ <u>1,167,423</u>	<u>1,095,589</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (8,112,869)	(10,065,353)
Adjustments to reconcile loss from operations		
to net cash used in operating activities:		
Loss on retirement of equipment	112,925	-
Depreciation	878,117	994,243
(Increase) decrease in accounts receivable	(32,251)	11,957
(Increase) decrease in prepaid assets	78,978	(91,926)
Increase in net pension asset	(103,153)	(154,297)
(Increase) decrease in inventories	18,629	(24,121)
Increase (decrease) in accounts payable and accrued expenses	(241,938)	362,073
Increase (decrease) in the provision for claims liability	(9,124)	565,649
Net cash used in operating activities	<u>\$ (7,410,686)</u>	<u>(8,401,775)</u>

See accompanying notes to financial statements.



CAPITAL TRANSPORTATION CORPORATION

Statements of Fiduciary Net Assets - Pension Trust Fund

December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Assets:		
Cash and equivalents	\$ -	451,361
Receivables	42,284	51,662
Investments	<u>4,118,450</u>	<u>3,741,783</u>
Plan net assets (note 7)	\$ <u>4,160,734</u>	<u>4,244,806</u>

See accompanying notes to financial statements.



CAPITAL TRANSPORTATION CORPORATION

Statements of Changes in Fiduciary Net Assets - Pension Trust Fund

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Additions:		
Contributions:		
Employer contributions	\$ 333,469	288,015
Employee contributions	<u>298,633</u>	<u>300,468</u>
Total contributions	<u>632,102</u>	<u>588,483</u>
Investment income:		
Investment and dividend income	119,148	130,182
Net depreciation	<u>(535,283)</u>	<u>(366,007)</u>
	(416,135)	(235,825)
Less investment expense	<u>(50)</u>	<u>(50)</u>
Net investment income	<u>(416,185)</u>	<u>(235,875)</u>
Total additions	<u>215,917</u>	<u>352,608</u>
Deductions:		
Benefits	157,212	126,754
Employee refunds	112,424	74,285
Administrative expenses	<u>30,353</u>	<u>20,233</u>
Total deductions	<u>299,989</u>	<u>221,272</u>
Changes in net plan assets	<u>(84,072)</u>	<u>131,336</u>
Plan net assets at beginning of year	<u>4,244,806</u>	<u>4,113,470</u>
Plan net assets at end of year (note 6)	<u>\$ 4,160,734</u>	<u>4,244,806</u>

See accompanying notes to financial statements.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) *Report Issued Under Separate Coverage*

The Capital Transportation Corporation's ("CTC" or "the Corporation") financial statements are an integral part of the City of Baton Rouge - Parish of East Baton Rouge's (City-Parish) Comprehensive Annual Financial Reports (CAFR). CTC has an operating agreement with the City-Parish that addresses the use of City-Parish facilities as well as other operating matters.

(b) *Financial Reporting Entity*

Capital Transportation Corporation is a corporation created by East Baton Rouge Parish to provide bus transportation services. The Metropolitan Council exercises oversight over CTC by approving fare changes and by approving operating subsidies. Operating subsidies are provided through a federal grant to the City-Parish government and by local matching funds. The fiscal year for CTC and the City-Parish government is the calendar year.

Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of Baton Rouge - Parish of East Baton Rouge for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy of its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the City-Parish governing CTC (Metropolitan Council or Mayor-President) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City-Parish and the potential component unit.
4. Imposition of will by the City-Parish on the potential component unit.
5. Financial benefit/burden relationship between the City-Parish and the potential component unit.

Based on the previous criteria, CTC is considered a component unit of the City of Baton Rouge, Parish of East Baton Rouge. In addition, based on the previous criteria, CTC's management has included the Capital Transportation Corporation's Employees' Pension Trust Fund as a Blended Component Unit within the financial statements of the Corporation.

The Capital Transportation Corporation Employees' Pension Trust Fund (the Trust) exists for the benefit of current and former CTC employees who are members of the plan. The Trust is governed by an equal number of Employer Trustees and Union Trustees.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

Currently, the Trust is governed by a four member board composed of two members representing the Employer Trustees and two members elected as Union Trustees. The Trust is funded by the investment of the contributions from CTC and member employees who are obligated to make the contributions to the Trust. The Trust does not issue a separately issued audit report.

(c) *Measurement Focus, Basis of Accounting and Presentation*

The accounting policies of CTC conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. CTC uses fund accounting to report its financial position and results of operations. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net assets, revenue, and expenses. CTC has no governmental funds; the proprietary fund financial statements are the government-wide financial statements. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds are classified as follows:

Proprietary Fund

Enterprise Fund - Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Accordingly, CTC maintains its records on the accrual basis of accounting. Revenue from operations, investments and other sources are recorded when earned. Revenue received in advance is reflected as deferred revenue. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Operating revenues include all charges for service; non-operating revenues include grant, contractual and other revenue sources. CTC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. CTC applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

Fiduciary Fund

Trust Fund - CTC's Employee's Pension Plan is used to account for the accumulation of contributions for a defined benefit single employer pension plan providing retirement benefits to qualified employees.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Contributions from CTC and its employees are recognized as revenue in the period in which employees provide service to CTC. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

(d) *Restricted Assets and Liabilities*

Certain assets, consisting of cash and cash equivalents, are segregated and classified as restricted assets which may not be used except in accordance with contractual terms, under certain conditions. These assets consist of assets (1) restricted for insurance which are held by the State of Louisiana and (2) cash and receivables related to federal grants and related matching. Corresponding restricted liabilities reflect assets held for matching purposes and payables related to these restricted assets.

(e) *Investments*

Investments, consisting of mutual funds, are stated at fair value based on quoted prices.

(f) *Inventories*

Inventories, principally repair parts and supplies, are stated at cost, which approximates market. Cost is determined by the average cost method except for gasoline, diesel fuel and oil for which cost is determined by the first-in, first-out method.

(g) *Equipment*

Equipment is recorded at cost. Depreciation or amortization is charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. Expenditures for maintenance and repairs which do not materially extend the useful life of the assets are charged to expense as incurred. Useful lives for equipment range from 12 years for rolling stock to 3 years for certain office equipment.

(h) *Federal Grants and Dedicated Taxes*

Federal grants are made available to CTC for the acquisition of public transit facilities, buses and other transit equipment. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenditures of funds, are recognized at that point in time when the right to the funds becomes irrevocable. Where the expenditure of funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expense is incurred.

In addition to Federal grants, CTC is the recipient of 50% of the monies established under R.S. 47:302.29(B) and R.S. 47:322.1, which sets aside the Louisiana State sales tax on hotel occupancy. These monies are provided into the East Baton Rouge Parish Community Improvement Fund (Improvement Fund). CTC's share of these funds shall not be used to displace, replace or supplant funds previously appropriated or otherwise used for urban mass transit purposes. The monies in the Improvement Fund are appropriated annually by the State legislature. In addition, CTC also receives monies from the East Baton Rouge Enhancement Fund (Enhancement Fund), which has similar restrictions and is created by the State legislature as the Improvement Fund proceeds.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

(i) *Compensated Absences*

Employees earn vacation and sick leave in varying amounts according to continuing years of service as follows:

<u>Years of Service</u>	<u>Vacation</u>	<u>Sick</u>
0	None	1 day/month
1	7 days per year	1 day/month
2	13 days per year	1 day/month
6	17 days per year	1 day/month
15	24 days per year	1 day/month

Vacation must be taken by December 31, or it is lost. Sick leave is accumulated without time limitations and there is no limitation as to the amount paid upon termination or retirement. Vacation for union personnel and sick leave are accrued as earned for operators.

(j) *Deferred Revenue*

CTC receives matching funds for its federal grants from budgeted transfers from the City-Parish. The deferred revenue reflects those funds not yet spent by CTC that are restricted to be used for matching purposes.

(k) *Claims and Judgements*

CTC provides for losses, including any anticipated related expenses, resulting from claims and judgments. A liability for such losses, including related out-of-pocket expenses, is reported when it is probable that a loss has occurred and the amount can be reasonably estimated. Incurred but not reported claims have been considered in determining the accrued liability.

(l) *Cash Flows*

For the purposes of the statements of cash flows, cash and cash equivalents include all highly liquid investments.

(m) *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

(2) Cash and Investments

CTC's cash and investments consisted of the following as of December 31, 2002 and 2001:

2002			
	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Totals
Cash on hand and in banks	\$ 1,066,573	432,717	1,499,290
Certificates of deposit	100,850	-	100,850
Mutual		465,764	465,764
Preferred and common stocks		769,437	769,437
Bonds	-	2,450,532	2,450,532
Total cash and cash equivalents	<u>\$ 1,167,423</u>	<u>4,118,450</u>	<u>5,285,873</u>
2001			
	Proprietary Enterprise Fund	Fiduciary Pension Trust Fund	Totals
Cash on hand and in banks	\$ 872,183	451,361	1,323,544
Certificates of deposit	223,406	-	223,406
Preferred and common stocks		2,157,541	2,157,541
Bonds	-	1,584,242	1,584,242
Total cash and cash equivalents	<u>\$ 1,095,589</u>	<u>4,193,144</u>	<u>5,288,733</u>

Proprietary fund cash and cash equivalents of \$1,167,423 include \$549,541 of unrestricted assets and \$617,882 of restricted assets as of December 31, 2002. Proprietary fund cash and cash equivalents of \$1,095,589 include \$271,065 of unrestricted assets and \$824,524 of restricted assets as of December 31, 2001.

The cash and investments in the City-Parish consolidated cash and investment pool are primarily deposits with financial institutions. These deposits are collateralized by the financial institutions pledging government securities which are held in safekeeping with the financial institution's agent in the City-Parish's name.

Actual cash in banks and certificates of deposit as of December 31, 2002 and 2001, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was \$611,679 and \$627,365, respectively. Of the total bank balances at December 31, 2002, all amounts were substantially covered by federal depository insurance or by collateral held in CTC's name.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

Mutual funds are not categorized under GASB 3 requirements. Other pension trust investments are held in the name of the plan. Statutes authorize CTC's enterprise fund to invest in direct United States Treasury obligations; bonds, debentures, notes or other indebtedness issued or guaranteed by U.S. Government Instrumentalities which are federally sponsored or federal agencies that are backed by the full faith and credit of the United States; short-term repurchase agreements; and time certificates of deposit at financial institutions, state banks and national banks having their principal offices in Louisiana.

As of December 31, 2002 and 2001, \$100,850 and \$223,406, respectively, of restricted assets was pledged as collateral to the Louisiana Office of Workman's Compensation. Other restricted assets consist of funds held by the City-Parish for matching of federal grants. Total restricted cash at December 31, 2002 and 2001 was \$617,882 and \$824,524, respectively.

(3) Receivables – Due From Other Governments

CTC's federal and state funds recognized as revenue for the year ended December 31, 2001 were generally passed-through the City-Parish. Beginning in the fall of 2001, CTC also initiated its own grant programs.

Receivables – due from other governments at December 31, 2002 and 2001 totaled \$651,235 and \$944,929, respectively, and consisted substantially of reimbursements from the federal government and hotel/motel and enhancement tax collections.

(4) Equipment

A summary of changes in fixed assets follows:

	<u>January 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2002</u>
Equipment, primarily transportation vehicles	\$ 11,500,575	36,820	(623,079)	10,914,316
Accumulated depreciation	<u>(6,681,317)</u>	<u>(878,117)</u>	<u>510,154</u>	<u>(7,049,280)</u>
	<u>\$ 4,819,258</u>	<u>(841,297)</u>	<u>(112,925)</u>	<u>3,865,036</u>
	<u>January 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2001</u>
Equipment, primarily transportation vehicles	\$ 11,099,422	440,221	(39,068)	11,500,575
Accumulated depreciation	<u>(5,726,142)</u>	<u>(994,243)</u>	<u>39,068</u>	<u>(6,681,317)</u>
	<u>\$ 5,373,280</u>	<u>(554,022)</u>	<u>-</u>	<u>4,819,258</u>

The City-Parish owns the terminal, administrative office building and related land which are used by CTC for its operations. The City-Parish provides these facilities and land to CTC at no charge.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

(5) Working Capital

Working capital as of December 31, 2002 and 2001 was \$328,819 and \$674,375, respectively. Operations of CTC have been subsidized by the Federal and local governments through various cash grants and appropriations. A summary of the subsidies are reflected as operating transfers from primary government in the statement of revenues, expenses and changes in net assets and totaled \$2,062,630 and \$2,371,876 for the years ended December 31, 2002 and 2001, respectively.

(6) Pension Plan

CTC and its covered employees make contributions to the Capital Transportation Corporation Pension Trust Fund (Plan), a defined benefit single employer pension plan. The Plan is administered by a third party investment company, under the direction of a Board of Trustees. All full time employees become eligible for participation upon the date he enters covered employment. Normal retirement date is the first day of the month following a member's 65th birthday and completion of 10 years of service. Benefits vest after ten years of service. A participant is entitled to a monthly normal retirement benefit beginning on his normal retirement date in an amount 1.2% of average compensation for each year of service after February 1, 1963.

Average compensation is determined as the average of the five consecutive plan years of compensation that produces the highest average. Early retirement is permitted for participants who have 15 years of service (five of which is after February 1, 1973) and who have attained age 55; early retirement benefits are reduced from normal retirement benefits. Membership, pension benefit obligation, and other pension information are obtained from the Plan's Annual Actuarial Valuation Reports as of January 1, 2002 and 2001. The valuation is performed at the beginning of the plan year.

Current membership is comprised of the following at December 31:

	<u>2002</u>	<u>2001</u>
Retirees and beneficiaries currently receiving benefits	39	38
Vested terminated employees	16	15
Active employees:		
Fully vested	39	39
Not vested	<u>100</u>	<u>94</u>
	<u>194</u>	<u>186</u>

For the years ended December 31, 2002 and 2001, the Corporation had an annual payroll of approximately \$4,700,000 and \$4,800,000, respectively. Total annual covered payroll for the years ended December 31, 2002 and 2001 was \$3,991,134 and \$4,368,258, respectively.

The employees and the Corporation each contributed, as required, 7% and 8%, respectively, of each employee's salary. For the plan year beginning February 1, 1995, CTC's pension plan was granted "qualified" status by the IRS which enables benefits to no longer be subject to income taxes. The plan's long-range ability to pay benefits also depends on the future financial health of the Corporation.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

Key actuarial assumptions include 7% interest compounded annually, mortality tables from the 1983 Group Annuity Mortality Table for males and females, anticipated turnover and disability rates ranging from .06% to 5.45% based on age of employee, and salary increases of 4% annually. The actuarial cost method is the frozen entry age actuarial cost method. Asset valuation method is based on the current market value as of the last day of the prior plan year.

The Plan also received a favorable determination letter from the IRS on October 18, 2002 for the amended plan document submitted on February 27, 2002. The Corporation is currently awaiting a finalization of a restated plan document.

The Corporation's annual pension cost and net pension obligation for the years ended December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Annual required contribution	\$ 217,556	\$ 106,152
Interest on net pension obligation	(49,768)	(44,240)
Adjustment to annual required contribution	<u>69,005</u>	<u>56,325</u>
Annual pension cost	236,793	118,237
Contributions made	<u>339,946</u>	<u>297,684</u>
Increase in net pension asset	103,153	179,447
 Net pension asset, beginning of year	 <u>732,450</u>	 <u>553,003</u>
 Net pension asset, end of year	 <u>\$ 835,603</u>	 <u>\$ 732,450</u>

Trend information is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
December 31, 2002	\$ 236,793	144%	\$ 835,603
December 31, 2001	\$ 118,237	252%	\$ 732,450
December 31, 2000	\$ 100,051	297%	\$ 553,003

(7) Deferred Compensation Plan

CTC offers its employees participation in the Louisiana Public Employees' Deferred Compensation Plan (Compensation Plan), created by Louisiana Revised Statutes and in accordance with Section 457 of the Internal Revenue Code. The Compensation Plan is available to all full-time employees and permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the Compensation Plan and related activities are solely the property and the rights of the State of Louisiana, subject only to the claims of the general creditors of the State of Louisiana. Compensation deferred under this plan for the years ended December 31, 2002 and 2001 was \$26,652 and \$27,466, respectively.



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

(8) Commitments and Contingencies

(a) Contingencies

CTC receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on CTC's financial position.

(b) Grant Commitments

As of December 31, 2002, CTC has committed current restricted cash to fund local matching requirements under grants for which a contractual obligation existed at the end of each year. CTC does not currently foresee any concerns in meeting its matching requirements. Similar commitments existed as of December 31, 2001.

(9) Self-insurance and Legal Claims

CTC is exposed to various risks of loss related to torts, damage to and destruction of assets, injuries to employees and natural disasters. CTC is self-insured for the first \$250,000 for general liability claims and workers' compensation claims. Excess general liability claims are commercially insured up to \$750,000, with CTC self-injury claims in excess of \$1,000,000. Excess workers' compensation claims above this limit are covered by commercial insurance. No payments in excess of insurance coverage have occurred within the past three years. At December 31, 2002 and 2001, accrued claim liabilities of \$956,646 and \$965,770, respectively, are included on the Enterprise Fund's statements of net assets, as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
2002	\$ 779,146	177,500	956,646
2001	\$ 371,701	594,069	965,770

The accruals, which are based upon the advice of counsel and estimates of CTC's third-party administrators, are, in the opinion of management, sufficient to provide for all probable estimable claims liabilities at December 31, 2002 and 2001. Changes in claims liability during the years ended December 31 are as follow:

	<u>Beginning of year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at year end</u>
2002	\$ 965,770	492,238	(501,362)	956,646
2001	\$ 400,120	770,986	(205,336)	965,770



CAPITAL TRANSPORTATION CORPORATION

Notes to Financial Statements

(10) Significant Sales Contract

An agreement between the Board of Supervisors of Louisiana State University and CTC was renewed in 2002 for a one year period expiring in August 2003. Under this, CTC provides Louisiana State University (LSU) with passenger buses, personnel and supplies to operate a mass transit system. As consideration for the service rendered, LSU paid to CTC during 2002 and 2001 approximately \$1,850,000 and \$1,580,000, respectively. This amount is included in charges for services on the statements of revenues, expenses and changes in net assets. Management expects that the contract will be renewed.

(11) Related Parties

No per diems to the Board of Directors or the Board of the Pension Trust Fund are paid. The members of the Pension Trust Fund can be reimbursed for out-of-pocket expenses resulting from their participation in pension activities.

Schedule 1

CAPITAL TRANSPORTATION CORPORATION

Required Supplementary Information Under GASB Statement No. 25

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a percentage of payroll
January 1, 2003	\$ 4,138,544	\$ 4,309,796	\$ 171,252	96.03%	\$ 3,991,134	4.29%
January 1, 2002	\$ 4,244,806	\$ 4,763,742	\$ 518,936	89.11%	\$ 4,368,258	11.88%
January 1, 2001	\$ 4,113,469	\$ 4,113,469	\$ -	100.00%	\$ 4,099,654	not applicable
January 1, 2000	\$ 3,752,507	\$ 3,752,507	\$ -	100.00%	\$ 3,917,671	not applicable
January 31, 1999	\$ 2,476,580	\$ 2,814,804	\$ 338,224	87.98%	\$ 2,569,374	13.16%
January 31, 1998	\$ 2,048,573	\$ 1,374,337	\$ 121,418	91.17%	\$ 2,519,162	4.82%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
December 31, 2002	\$ 217,556	333,469	153.28%
December 31, 2001	\$ 106,152	288,015	271.32%
December 31, 2000	\$ 100,051	296,920	296.77%
December 31, 1999	\$ 115,024	230,118	200.06%
January 31, 1999	\$ 107,195	192,713	179.78%
January 31, 1998	\$ 92,368	140,449	152.05%

NOTES TO THE SCHEDULES OF TREND INFORMATION LISTED ABOVE

The information presented above was determined as part of the actuarial valuation at the date indicated.
Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2003
Actuarial cost method	Frozen Entry Age Actuarial Cost Method
Amortization method	Level percent closed
Remaining amortization period	10 years
Asset valuation method	Current market value as of the last day of the prior plan year.
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	4.00%

See accompanying independent auditors' report.



CAPITAL TRANSPORTATION CORPORATION

Single Audit Reports

December 31, 2002



CAPITAL TRANSPORTATION CORPORATION
Baton Rouge, Louisiana

Single Audit Reports

December 31, 2002

Table of Contents

	Page
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to the Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	10





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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
Capital Transportation Corporation:

We have audited the financial statements of Capital Transportation Corporation (CTC) as of and for the year ended December 31, 2002, and have issued our report thereon dated April 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CTC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CTC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of CTC in a separate letter dated April 28, 2003.

This report is intended solely for the information of CTC, CTC's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite, Netterville

Baton Rouge, Louisiana
April 28, 2003



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Commissioners
Capital Transportation Corporation:

Compliance

We have audited the compliance of Capital Transportation Corporation (CTC) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. CTC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of CTC's management. Our responsibility is to express an opinion on CTC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CTC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CTC's compliance with those requirements.

In our opinion, CTC complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of CTC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CTC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of CTC as of and for the year ended December 31, 2002, and have issued our report thereon dated April 28, 2003 which included an explanatory paragraph noting the adoption of Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of CTC, CTC's management and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
April 28, 2003

CAPITAL TRANSPORTATION CORPORATION
Baton Rouge, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2002

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Federal Transit Administration: Formula Grants	20.507	\$ <u>4,137,846</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.



CAPITAL TRANSPORTATION CORPORATION
Baton Rouge, Louisiana

Notes to Schedule of Expenditures of Federal Awards

December 31, 2002

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Capital Transportation Corporation (CTC). CTC's reporting entity is defined in note 1 to the *financial statements for the year ended December 31, 2002*. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to CTC's financial statements for the year ended December 31, 2002.

(3) Relationship to Financial Statements

Federal awards are included in statement of revenues, expenses and changes in net assets as follows:

Nonoperating revenues (expenses):

Government operating grants – Federal and contract revenues	\$ 4,319,918
Less non-federal revenues	<u>182,072</u>
Federal awards	<u>\$4,137,846</u>



CAPITAL TRANSPORTATION CORPORATION
Baton Rouge, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2002

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: unqualified opinion
 - (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: none reported; Material weaknesses: no
 - (c) Noncompliance which is material to the financial statements: no
 - (d) Reportable conditions in internal control over major programs: none reported; Material weaknesses: no
 - (e) The type of report issued on compliance for major programs: unqualified opinion
 - (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no
 - (g) Major program:
Federal Transit Administration – Formula Grants (CFDA number 20.507)
 - (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
 - (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: yes
- (2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: None
- (3) Findings and Questioned Costs relating to Federal Awards: None



CAPITAL TRANSPORTATION CORPORATION
Baton Rouge, Louisiana

Summary Schedule of Prior Audit Findings Summary Schedule

None